

2020-2021

AFFORDABLE HOUSING PLAN

m MINNESOTA
HOUSING





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2020-2021 AFFORDABLE HOUSING PLAN

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SUMMARY: 2020 AND 2021 AT A GLANCE

This Affordable Housing Plan (AHP) identifies the actions we will carry out over the next two years and provides an estimate of the financial resources that we expect to deploy. We have an ambitious agenda because there is a critical shortage of housing that is affordable and we are in a strong position to address it. We provide a wide range of strong programs and have a strong balance sheet. This \$3 billion AHP is our largest ever, and we expect to deploy roughly \$1.5 billion and serve nearly 73,000 households in each of the two years. In 2011, our program investment plan was \$700 million.

TABLE 1: EXPECTED INVESTMENTS BY ACTIVITY IN 2020-21

Program Category	Funding
Homebuyer Financing and Home Refinancing	\$2,115,770,000
Homebuyer/Owner Education and Counseling	\$6,064,000
Home Improvement Lending	\$61,544,000
Rental Production - New Construction and Rehabilitation	\$272,432,000
Rental Assistance Contract Administration	\$374,000,000
Housing Stability for Vulnerable Populations	\$63,014,000
Multiple Use Resources	\$182,140,000
Total	\$3,074,964,000

In the first year of this AHP, we will determine more precisely how we will implement the strategies in our new 2020-22 Strategic Plan and put in place the structures to carry out those actions. We will:

- Enhance our community development and engagement strategy
- Simplify and streamline programs
- Build partner capacity
- Focus on the people and places most impacted by housing instability, especially children
- Start creating an inclusive and equitable housing system
- Collaborate with other state agencies and partners
- Identify, secure and leverage resources
- Create and preserve more affordable housing opportunities

These enhancements are needed for all Minnesotans to live in a stable, safe home they can afford in a community of their choice. While the critical shortage of housing affects most Minnesotans, it is much worse for some people. The number of Minnesotans living outside without shelter is rising at an alarming rate, and the state has large housing disparities for people of color, indigenous communities, individuals with disabilities, and other people disproportionately impacted.

A man with glasses and a black t-shirt is seated at a wooden table, holding a fork with food. A woman wearing a black baseball cap and a black top is seated next to him, looking down at her plate. On the table is a white plate with a blue rim, containing white rice and a red, chunky sauce. The plate sits on a woven placemat. The background is softly blurred, showing a couch and a colorful pillow.

As our 2020-22 Strategic Plan states, we will:

**GO BIG
SO EVERYONE CAN
GO HOME.**



CHAPTER 1: IMPLEMENTING OUR STRATEGIC DIRECTION

This Affordable Housing Plan (AHP) is our business plan for implementing the first two years of our new 2020-22 Strategic Plan. It covers October 1, 2019 through September 30, 2021.

In recent years, we have significantly improved our program results. Coming out of the Great Recession and the financial crisis, we retooled our programs to work effectively in the new reality of the post-crisis housing market, which allowed us to access and distribute a lot more assistance.

While we went substantially bigger with these improvements, we have not gone big enough to address the persistent issues in the housing market.

- 448,000 lower-income households in Minnesota are spending more than 30% of their income on housing;¹
- Minnesota has the fourth worst homeownership disparity in the country for households of color and indigenous communities;² and
- An American Indian is over 20 times more likely to experience homelessness than a person who is white.³

We are in a strong position to address these issues and go even bigger.

In the first year of this AHP, we will determine more precisely how we will implement our new strategies and put in place the structures, such as a new community development and engagement strategy, to carry out those actions. While previous AHPs identified specific policy and program initiatives to carry out established strategies, this AHP initially focuses on launching our new strategies and refining how we work.

With this AHP, we also switch from a one-year to a two-year plan. We received our two-year appropriations from the state, and our annual funding from the federal government continues to be relatively consistent, despite uncertain federal budgets. A two-year AHP provides our staff and partners with direction about what we expect our funding to be for two years, not just one, which is helpful for program planning. With a two-year AHP, we leave open the possibility of updating the plan after the first year if circumstances substantially change, including the availability of additional resources from the state or federal government. We will likely provide a second-year update to the 2020-21 AHP after we determine more precisely how we will implement our new strategies and identify specific policy and program initiatives for 2021.

The following sections outline our work and commitments to action for the next two years.

Between 2011 and 2019, we increased our:

Annual investment plan from about \$700 million to...

\$1.3 billion+

Home mortgage lending from 2,245 loans to...

5,100

Lending to first-time homebuyers of color or from indigenous communities from 549 to...

1,400

Financing of new rental housing from 703 units to about...

1,100

ESTABLISH SMART GOALS FOR A KEY SET OF OUR STRATEGIC OBJECTIVES

Our 2020-22 Strategic Plan identifies 14 objectives for the next three years, which are helpful for communicating our strategic direction, but are not always tangible. In contrast, Specific, Measurable, Achievable, Relevant, and Time-bound (SMART) goals provide focus, inspire action and create accountability. In 2020, we will set SMART goals for a key set of our strategic objectives.

We currently have the SMART goal of 35% of our first-time homebuyer mortgages going to households of color and indigenous communities, which we are on the verge of achieving. This goal and earlier versions were a key driver behind our success in more than doubling our lending to households of color and indigenous communities.

These goals will articulate specifically how big we will go.

Our Commitment to Action in 2020-21:

- Establish SMART goals for a key set of our objectives, which will likely cover:
 - Lending to households of color and indigenous communities,
 - Preventing and ending homelessness,
 - Creating additional housing opportunities for renters with incomes at or below 30% of the area median income (AMI), and
 - Other objectives
- Create and start implementing action plans to achieve each goal. For example, we are already partnering with the Minnesota Department of Veteran Affairs and others on an action plan to be the fourth state to end veteran homelessness.

ENHANCE OUR COMMUNITY ENGAGEMENT STRATEGY

As a finance agency, we rely on developers, lenders, program administrators, and service providers to implement the programs that we finance, and we have developed strong relationships with them to create and improve programs. However, we need to improve our engagement with the people who need the housing and services that we finance. They have insights and expertise about what strategies and programs will best meet their needs. This type of engagement requires a different approach, including working with community leaders and organizers to bring people together and being flexible about when and where meetings occur. For example, we should attend existing community meetings. Most importantly, it involves creating more opportunities for participation in program decision-making, listening, and taking action on what we learn. For example, we are currently evaluating the performance and management of the permanent supportive housing that we have financed, and the evaluation includes surveys and meetings with tenants to gain their insights and perspective. However, this type of engagement needs to be ongoing and not a one-time effort for an evaluation or the development of a plan.

Our Commitment to Action in 2020-21:

- Create and implement a new community development and engagement strategy
- Create the capacity, structure, partnerships and expertise to carry out this work effectively

**WE ARE IN A STRONG
POSITION TO GO
EVEN BIGGER
TO ADDRESS PERSISTENT
HOUSING ISSUES.**



WE WILL REDUCE BARRIERS TO OUR PROGRAMS BY MAKING THEM EASIER TO ACCESS AND MORE FLEXIBLE.

SIMPLIFY AND STREAMLINE PROGRAMS

A key strategy repeated throughout our new strategic plan is to simplify and streamline our programs to make them easier to access and use and increase their flexibility so that they will meet evolving needs and work in different situations. In conversations across the state, community members have repeatedly suggested these actions.

An analysis of our programs shows proportionally less activity in some areas of the state, including some rural counties, particularly along the western and southern borders. These communities are typically smaller and less densely populated and often served by smaller program administrators. We will balance this streamlining, simplifying and increasing flexibility with a program's statutory, policy and fiduciary requirements. In recent years, we have already simplified the single-family Home Improvement Loan Program and Rehabilitation Loan Program. In 2019, we expect lending under the Home Improvement Loan Program to increase from 673 to about 830 borrowers with the changes. We are also in the process of restructuring the multifamily Rental Rehabilitation Deferred Loan (RRDL) program by adjusting the program requirements and underwriting criteria to better serve the borrowers. We will carry out similar activities for other programs.

Our Commitment to Action in 2020-21:

- Create and start a process for systematically going through our programs to streamline and simplify them and increase their flexibility
- Identify and explore options for creating programs that work better in smaller communities and rural Minnesota

BUILD PARTNER CAPACITY

In recent years, we have partnered with about 400 organizations to administer the programs that we finance, and our capacity to meet the housing needs of Minnesota is only as strong as their capacity. As described in the previous section, some of these organizations are small, have limited resources, or face administrative challenges. In other situations, organizations are strong and want to expand their reach. There are also organizations owned or run by people of color or from indigenous and other disproportionately impacted communities that are not part of our delivery network but need to be if we want to effectively serve diverse communities. Some of these organizations may need to develop the capacity to access and/or administer our programs. Capacity building is another key strategy identified throughout our new strategic plan.

Our Commitment to Action in 2020-21:

- Work with partners to identify opportunities to build capacity
- Enhance our current capacity building strategy and programs
- Continue to provide technical assistance to organizations applying for our funding and/or administering our programs
- Reassess barriers to administering our programs, including the fees that we pay partners to administer some of our programs

FOCUS ON THE PEOPLE AND PLACES MOST IMPACTED, ESPECIALLY CHILDREN

For all Minnesotans to live and thrive in safe, stable housing they can afford in a community of their choice, we must focus on the people and places most impacted by housing instability, which includes being cost-burdened or homeless, living in overcrowded or substandard housing, moving frequently or not having access to homeownership. These communities are our priority because they are not being served well by the current housing market. Examples include:

PEOPLE		PLACES
<ul style="list-style-type: none"> • Lowest Income (e.g. \leq 30% of area median income (AMI)) • People of Color • Indigenous Individuals • LGBTQ • People Experiencing Homelessness • People with Disabilities • Immigrants • Large Families • Seniors • Children 	People Facing Barriers and/or Limited Choices: <ul style="list-style-type: none"> • Poor Credit • Limited Savings • Criminal History • Evictions • Transitioning Out of Foster Care, Prison, Other Systems 	<ul style="list-style-type: none"> • Disinvested Communities in the Metro Area and Greater Minnesota • Tribal Nations/Indigenous Communities • Manufactured Home Communities • Communities with Job Growth and a Limited Housing Supply

Children are often among those most impacted by housing instability, and the impact can last a lifetime through reduced educational achievement, poor health, and even trauma. If all children were stably housed in safe, affordable homes in a community of their family's choice, Minnesota would be a great place to live for everyone.

To support the most impacted communities, we must have effective programs and be a leader in all things housing. If a housing need cannot be met by one of our programs, we will collaborate with others to identify solutions and advocate for action. The community engagement work outlined in the previous section is a critical step in meeting the needs of communities most impacted by housing instability.

Our Commitment to Action in 2020-21:

- Reorient our multifamily programs to increase the development of housing that:
 - Is affordable to renters with an income at or below 50% of AMI, with a special focus on 30% of AMI, and
 - Has a longer affordability period
- Finance the development and preservation of housing with three or more bedrooms to serve larger families with children
- Strategically use Housing Infrastructure Bond (HIB) proceeds, which can be used for permanent supportive housing (including behavioral health), preservation, senior housing, and community land trusts
- Increase our lending to first-time homebuyers of color or from indigenous communities by increasing our overall mortgage lending and the share of the mortgages going these households
- Create a team, structure and strategy within Minnesota Housing to support and preserve manufactured housing
- Create a team, structure and strategy within Minnesota Housing to address the housing needs of older Minnesotans, which includes strengthening our partnership with the Minnesota Department of Human Services (DHS)
- Enhance our strategy for supporting Tribal nations and indigenous communities
- Continue leading and making progress in our interagency work through the Office to Prevent and End Homelessness and the Olmstead Implementation Office, which coordinates state agencies' work to help people with disabilities live, learn and work in integrated settings





**STABLE AND
AFFORDABLE HOMES
SUPPORT SUCCESS
IN OTHER AREAS OF LIFE.**

START CREATING AN INCLUSIVE AND EQUITABLE HOUSING SYSTEM

Minnesota has some of the worst disparities in the country, and the housing system plays a role by creating barriers, limiting choices and limiting access to resources and opportunity. A key objective of our current strategic plan is to create an inclusive and equitable housing system so that all Minnesotans live and thrive in a safe, stable home they can afford in a community of their choice. We will also focus on how developers, construction contractors, lenders, organizations and other businesses owned and run by people from communities most impacted by disparities equitably benefit from the housing economy.

Our commitments to action listed in the previous sections are key steps to creating an inclusive and equitable housing system, especially when they are carried out with the goal of eliminating disparities. We must (1) continually engage people who are the disproportionately impacted, (2) create more opportunities for participation in program decision making; (3) focus our work on those most impacted; (4) simplify and streamline our programs so that they are easier for the disproportionately impacted communities to access and use; and (5) build the capacity of our partners and potential partners from the disproportionately impacted communities to deliver our programs.

Our Commitment to Action in 2020-21:

- Increase the number of leaders and staff at Minnesota Housing who are from the communities most impacted by disparities
- Continue and enhance our journey to become more culturally competent and incorporate these practices into everything we do
- Collect and report data about the disproportionately impacted communities at the most disaggregated level to understand differences in disparities
- Start reviewing and adjusting program structures, processes, requirements and restrictions to better serve the disproportionately impacted communities and eliminate disparities
- Identify barriers to housing access and stability for renters and support solutions to address them, such as, tenant protections/rights and evidence-based screening practices that appropriately balance housing access and safe housing
- Partner with more organizations from disproportionately impacted communities to develop and implement solutions



COLLABORATE WITH OTHER STATE AGENCIES AND PARTNERS

Societal challenges involve complex interactions across issues and sectors, and housing plays a key role because it is the foundation for success, supporting educational achievement, stable employment, health, and success in other areas of life. If we want to build off that foundation, we must work with other state agencies and partners to align and leverage resources. We will go beyond our current interagency work through the Interagency Council on Homelessness and the Olmstead subcabinet.

Our Commitment to Action in 2020-21:

- Continue and expand our partnership with the Department of Education, Department of Human Services, school districts, and other community organizations by making Homework Starts with Home a permanent program (rather than a pilot) that uses rental assistance and other supports to stabilize the housing and improve the educational outcomes for students experiencing homelessness
- Work with the Department of Human Services to develop a strategy and action plan to more effectively integrate services into the housing we finance, which will include effectively using the new authority that the state received in 2019 from the federal government to use Medical Assistance to pay for some housing-related services
- Improve the effectiveness of coordinated entry (a locally-run process for matching people experiencing homelessness with available resources)
- Partner with the Department of Health, the health care sector and community organizations to explore opportunities to align and leverage housing and health care investments; for example, we are partnering with the Department of Health in a Health Impact Project grant that it received from the Robert Wood Johnson Foundation and the Pew Charitable Trusts for cross-sector partnerships and collaboration
- Partner with the Department of Corrections to implement housing strategies to help ex-offenders successfully reenter the community and decrease recidivism
- Be an active partner in the Governor's interagency initiatives around homelessness, equity and inclusion, children, criminal justice, and climate
- Partner with the Department of Revenue to identify and strengthen tools that promote housing development and affordability

IDENTIFY, SECURE AND LEVERAGE RESOURCES

Going bigger also requires securing additional resources and using them as effectively as possible. In recent years, we have more than doubled our program investments by expanding home mortgage lending, securing more resources, such as Housing Infrastructure Bonds (HIBs), and making sound investments, which generate earnings that can be reinvested in housing. Given current opportunities and the need for more housing, we need to do more.

Our Commitment to Action in 2020-21:

- Use our existing resources as effectively and efficiently as possible; for example we are co-sponsoring the Construction Revolution Summit—an initiative to develop and implement an action plan to use technology and innovation (including modular and panelized construction techniques) to increase construction productivity and decrease costs
- Advocate for the federal adoption of the Affordable Housing Credit Improvement Act of 2019, which would increase our allocation of 9% Low-Income Housing Tax Credits (LIHTC) by 50%
- Pursue additional federal funding for Section 811 (rental assistance for people with disabilities) in the upcoming Notice of Funding Available (NOFA)
- Secure additional HIB resources in the next bonding bill
- Secure additional General Obligation (GO) or other resources for public housing rehabilitation
- Prepare for the next biennial budget and the opportunity to increase our state funding by documenting the success of our strategies and programs in improving the lives of people in Minnesota
- Continue making sound investments with our Pool 2 resources to finance housing that is affordable and generate earnings that we can reinvest in additional housing (See Appendix A-1 for a description of Pool 2 resource and our other funding sources)
- Analyze the staffing, systems and technology resources that will be needed to administer additional resources

**HOUSING IS THE
FOUNDATION
FOR SUCCESS.**

CREATE AND PRESERVE MORE AFFORDABLE HOUSING OPPORTUNITIES

In 2018, the Minnesota Housing Task Force called for the development of 300,000 new homes across all types and price points to have a healthy housing market. Minnesota also has an aging housing stock, which is more likely to be affordable, that needs to be preserved.

Our Commitment to Action in 2020-21:

- Streamline and simplify our programs and identify, secure, and leverage resources (as described above)
- Refine our multifamily preservation strategy with a focus on naturally occurring affordable housing (NOAH), which is housing that is affordable without government subsidies and rent restrictions

IMPLEMENT ACTIONS

Our 2020-22 Strategic Plan and this AHP direct us to improve how we and our programs work. We will start implementing these actions in 2020 during our annual program cycle, which includes:

- Annual review of our single-family loan programs (homeownership and improvement), which occurs in the fall of each year so that program changes are in place by the spring and the next home-buying season
- Development of the Qualified Allocation Plan, which lays out the process for selecting rental developments to receive Low-Income Housing Tax Credits
- Development of Request for Proposals (RFPs) for programs that award funds on a competitive basis, which occur annually or biennially

Because we have over 30 programs, it will take at least a few years to fully reorient all our programs to our new approach, but we will start the process in 2020.



2020 IS THE START OF A
**BOLD NEW APPROACH
TO OUR PROGRAMS.**



CHAPTER 2: RESOURCES FOR OUR WORK

For the two-year period of 2020-21, we have a \$3 billion program investment plan, our largest ever. We estimate that we will deploy roughly \$1.5 billion and serve nearly 73,000 households each of the two years. Nine years ago, our annual investment plan was \$700 million.

OVERVIEW OF OUR PROGRAM INVESTMENT PLAN

We provide a wide continuum of tools for financing affordable housing and related services, ranging from grants for homelessness prevention and rental assistance to mortgages for home purchase and improvements. As shown in Table 2, three programs account for a majority of the 2020-21 program investment plan.

- **Home Mortgage Loans** (line 1) will provide about \$2 billion in mortgage loans and support an estimated 5,130 homebuyers in each year of the two years.
- **Rental Assistance Contract Administration** (line 18) will provide about \$374 million of federal project-based rental assistance to annually support about 30,000 of the state's lowest income households. With this assistance, households generally spend no more than 30% of their income on rent and utilities.
- **Low-Income Housing Tax Credits** (line 10) is our primary program for developing and rehabilitating affordable rental housing. The \$23 million of 9% credits that we expect to receive from the federal government will generate an estimated \$200 million in private equity and leverage other financial resources to construct or rehabilitate roughly 650 units of affordable rental housing in each of the next two years.

We will also reserve portions of our tax-exempt private activity bond allocation for additional multifamily projects to generate private equity from 4% housing tax credits. Some of these projects also utilize our deferred loan resources, so the units produced by these projects are already included in our overall unit count for 2020 and 2021.

4% TAX CREDITS

While not in our program investment plan, we award 4% credits to rental housing developments that are financed with tax-exempt private activity bonds, which are regulated by Internal Revenue Service and can be used by states for a variety of purposes.

Unlike 9% credits, awards of 4% credits are not directly capped, but there are statewide volume limitations on the use of tax-exempt private activity bonds for housing. On a yearly basis, the use of 4% credits can generate a significant amount of private equity for affordable housing.

Table 2 also shows, by program, the median incomes of the low- and moderate-income households that we served in 2018, which ranged from \$8,600 to \$74,000. The statewide HUD median family income in 2018 was \$84,200.

Program	Median Income
Rental assistance programs (lines 18-22)	\$8,700 to \$12,400
Rehabilitation Loan Program (line 7)	\$14,658
Low-Income Housing Tax Credits (line 10)	\$20,800
Single-Family Economic Development and Housing/Challenge (line 25)	\$41,600
Home Mortgage Loans (line 1)	\$55,598
Home Improvement Loan Program (line 6)	\$70,200



TABLE 2: OVERVIEW OF 2020-21 PROGRAM INVESTMENT PLAN

		2020-21 Anticipated Resource Deployment	2017-18 Actual Disbursement of Funds	Activity	Median Income Served (2018)	Percentage Served from Com- munities of Color (2018)
	Homebuyer Financing and Home Refinancing	\$2,115,770,000	\$1,528,488,727			
1	Home Mortgage Loans	\$2,000,000,000	\$1,462,051,777	First Mortgage	\$55,598	33.5%
2	Deferred Payment Loans	\$71,770,000	\$41,323,450	Downpayment and Closing Cost Loans	\$49,635	36.1%
3	Monthly Payment Loans	\$44,000,000	\$25,113,500	Downpayment and Closing Cost Loans	\$74,040	29.4%
	Homebuyer/Owner Education and Counseling	\$6,064,000	\$5,622,994			
4	Homebuyer Education, Counseling & Training (HECAT)	\$3,064,000	\$3,342,350	Education & Counseling	\$37,200	52.5%
5	Enhanced Homeownership Capacity Initiative	\$3,000,000	\$2,280,644	Education & Counseling	\$36,000	84.9%
	Home Improvement Lending	\$61,544,000	\$36,366,755			
6	Home Improvement Loan Program	\$42,000,000	\$24,377,125	Home Improvement Loan	\$70,200	9.4%
7	Rehabilitation Loan Program (RLP)	\$19,544,000	\$11,989,630	Home Improvement Loan	\$14,658	3.8%
	Rental Production - New Construction and Rehabilitation	\$272,432,000	\$123,534,940			
8	Multifamily First Mortgages	\$150,000,000	\$56,442,250	Amortizing Loan	\$24,544	54.7%
9	Flexible Financing for Capital Costs (FFCC)	\$12,000,000	\$6,211,740	Deferred Loan	See First Mortgage	See First Mortgage
10	Low-Income Housing Tax Credits (LIHTC)	\$23,205,000	\$19,144,880	Investment Tax Credit	\$20,800	45.7%
11	National Housing Trust Fund	\$6,558,000	\$2,700,000	Deferred Loans and Operating Grants	N/A	N/A
12	HOME	\$20,497,000	\$11,659,506	Deferred Loan	\$12,222	57
13	Preservation - Affordable Rental Investment Fund (PARIF)	\$28,436,000	\$16,756,022	Primarily Deferred Loan	\$14,328	42.9%
14	Asset Management	\$6,000,000	\$1,019,328	Loans & Grants	N/A	N/A
15	Rental Rehabilitation Deferred Loan Pilot (RRDL)	\$17,986,000	\$2,339,846	Deferred Loan	\$16,391	17.4%
16	Publicly Owned Housing Program (POHP) - GO Bonds	\$1,750,000	\$7,261,368	Deferred Loan	\$10,680	24.3%
17	Workforce Housing Development	\$6,000,000	\$0	Deferred Loans and Grants	N/A	N/A
	Rental Assistance Contract Administration	\$374,000,000	\$373,435,203			
18	Section 8 - Project-Based Rental Assistance	\$374,000,000	\$373,435,203	Rent Assistance	\$12,443	36.8%
	Housing Stability for Populations Needing Extra Support	\$63,014,000	\$51,630,849			
19	Housing Trust Fund (HTF)	\$27,292,000	\$25,565,226	Rent Assistance and Operating Support	\$9,712	61.7%
20	Homework Starts with Home	\$3,500,000	\$0	Rent Assistance and Other Supports	N/A	N/A

		2020-21 Anticipated Resource Deployment	2017-18 Actual Disbursement of Funds	Activity	Median Income Served (2018)	Percentage Served from Com- munities of Color (2018)
21	Bridges	\$9,176,000	\$8,522,026	Rent Assistance	\$9,949	29.6%
22	Section 811 Supportive Housing Program	\$1,560,000	\$963,914	Rent Assistance	\$8,709	50.0%
23	Family Homeless Prevention and Assistance Program (FHPAP)	\$21,038,000	\$16,269,408	Grants	\$11,628	60.8%
24	Housing Opportunities for Persons with AIDS (HOPWA)	\$448,000	\$310,275	Grants	\$20,127	50.0%
	Multiple Use Resources	\$182,140,000	\$66,429,318			
25	Economic Development and Housing/Challenge (EDHC)	\$42,850,000	\$32,550,541	Loans and Grants	MF: \$20,387 SF: \$41,600	MF: 71.6% SF: 57.6%
26	Single Family Interim Lending	\$2,500,000	\$1,105,354	Construction Loan	\$48,245	44.4%
27	Housing Infrastructure Bonds (HIB)	\$130,000,000	\$29,255,242	Primarily Deferred Loans	MF: \$8,645 SF: \$41,978	MF: 49.2% SF: 75.0%
28	Workforce Affordable Homeownership Program	\$500,000	\$0	Loans and Grants	N/A	N/A
29	Manufactured Home Communities	\$2,000,000	\$0	Grants and Loans	N/A	N/A
30	Technical Assistance and Operating Support	\$4,290,000	\$3,518,181	Grants	N/A	N/A
	Total	\$3,074,964,000	\$2,185,508,786			

For context, Table 2 also provides the funding that we actually disbursed in 2017 and 2018, which are the two most recently completed years. The biggest increases are in five areas.

We expect Home Mortgage lending to be over \$500 million higher in 2020-21 than in 2017-18 (line 1). Over the last several years, our mortgage lending has steadily increased even with rising home prices, a declining inventory of homes for sale that are affordable to our borrowers, and regulatory changes. Through program adjustments, effective implementation and outreach, and continued low interest rates, we have significantly increased our lending.

We are forecasting nearly \$50 million more in annual down-payment and closing-cost lending (lines 2 and 3).

The increase supports a higher volume of home mortgage lending and reflects higher home prices. Down-payment and closing-cost loans are a key part of our strategy for increasing lending to households of color and indigenous communities. For example, in 2018, 66% of our Deferred Payment Plus Loans went to households of color and indigenous communities.

Our forecast for Home Improvement lending is \$25 million higher (lines 6-7). In 2018, we streamlined and simplified these programs making it easier for our lending partners to administer them and made the loans more beneficial for our borrowers. Our lending has increased since then.

We expect Multifamily First Mortgage lending to be nearly \$100 million higher (line 8). Through our business development activity, we have significantly increased lending in the last year, which we expect to continue.

For 2020-21, we expect to have about \$100 million more in Housing Infrastructure Bond (HIB) resources than we disbursed in 2017-18 (line 27). In the last two legislative sessions, we received significant HIB resources, along with additional eligible uses of the funds. For example, we can now finance senior housing with HIBs.

We also have four new programs added in the last couple of years:

- Workforce Housing Development (line 17)
- Homework Starts with Home (Line 20)
- Workforce Affordable Homeownership Program (Line 28)
- Manufactured Home Communities (Line 29)

ANNUAL HOUSEHOLD AND UNIT PROJECTIONS

As show in Table 3, we expect to assist nearly 73,000 households in each of the next two years.

TABLE 3: 2020-21 FORECAST OF HOUSEHOLDS OR HOUSING UNITS ANNUALLY ASSISTED, BY PROGRAM

Program		Households or Units
Homebuyer Financing and Home Refinancing		5,130
1	Home Mortgage Loans	5,130
2	Deferred Payment Loans	Included in First Mortgage Count
3	Monthly Payment Loans	
Homebuyer/Owner Education & Counseling		23,140
4	Homebuyer Education, Counseling & Training (HECAT)	21,890
5	Enhanced Homeownership Capacity Initiative	1,250
Home Improvement Lending		1,410
6	Home Improvement Loan Program	1,050
7	Rehabilitation Loan Program (RLP)	360
Rental Production- New Construction and Rehabilitation		3,210
8	Multifamily RFP/HTC/Pipeline Production	2,180
9	Multifamily First Mortgage - Low and Moderate Income Rental (LMIR)	Part of RFP/HTC/Pipeline Total
10	Flexible Financing for Capital Costs (FFCC)	
11	Multifamily Flexible Capital Account	
12	Low-Income Housing Tax Credits (LIHTC)	
13	National Housing Trust Fund	
14	Housing Infrastructure Bonds (HIB) - Multifamily RFP	
15	Economic Development and Housing/Challenge (EDHC)	
16	HOME	
17	Preservation - Affordable Rental Investment Fund (PARIF)	
18	Asset Management	200
19	Rental Rehabilitation Deferred Loan (RRDL)	600
20	Publicly Owned Housing Program (POHP)	110
21	Workforce Housing Development	120

Program		Households or Units
Rental Assistance Contract Administration		29,220
22	Section 8 - Project-Based Rent Assistance	29,220
Housing Stability for Populations Needing Extra Support		10,090
23	Housing Trust Fund (HTF)	2,580
24	Homework Starts with Home	220
25	Bridges	710
26	Section 811 Supportive Housing Program	150
27	Family Homeless Prevention and Assistance Program (FHPAP)	6,190
28	Housing Opportunities for Persons with AIDS (HOPWA)	240
Multiple Use Resources		555
29	EDHC - Single Family RFP (Impact Fund)	450
30	Single Family Interim Lending	Part of EDHC RFP
31	Housing Infrastructure Bonds (HIB) - Community Land Trusts	Part of EDHC RFP
32	Workforce Affordable Homeownership Program	5
33	Manufactured Home Communities	100
Total		72,755

HOME BUYER FINANCING AND REFINANCING

FIGURE 10: HOUSEHOLDS/HOMES ASSISTED – HOME MORTGAGE LOANS

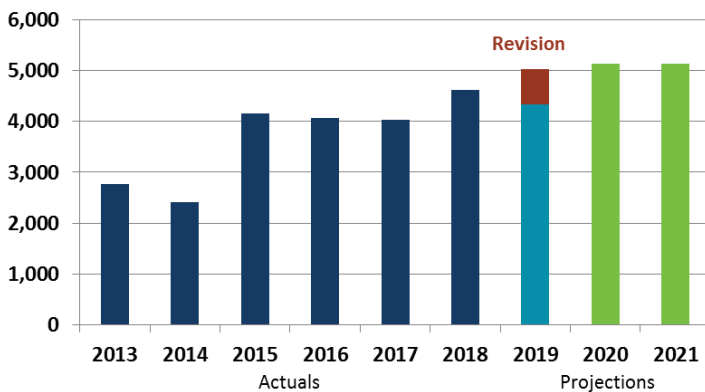
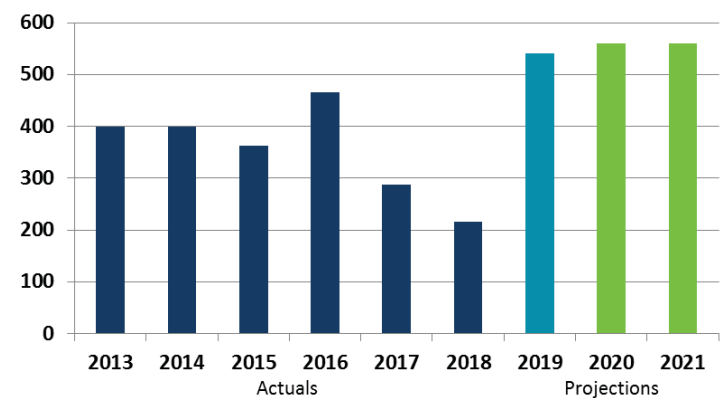


Figure 10 shows our historical home mortgage lending, which was around 2,500 mortgages in 2013 and 2014. It then took off in 2015, reaching 4,000 mortgages in 2015 through 2018, and about 5,000 since then. Despite a tight supply of homes and regulatory changes, we have increased our lending. In the graph, the dark blue bars show actual activity, the light blue bar is our estimate under the 2019 AHP, and the green bars are our annual projections under the 2020-21 AHP.

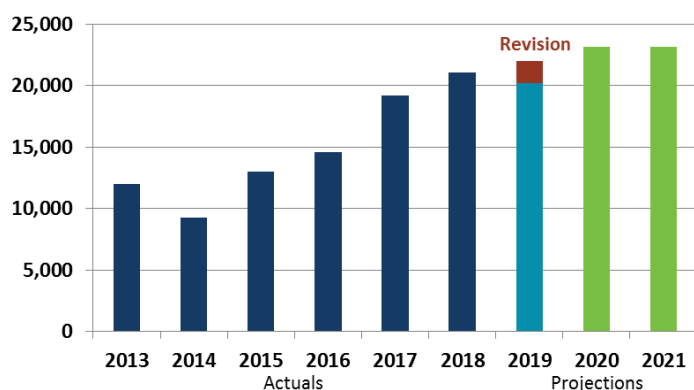
FIGURE 11: HOUSEHOLDS/HOMES ASSISTED – OTHER HOMEOWNERSHIP OPPORTUNITIES



In each of the next two years, we expect to serve about 560 households under “other homeownership opportunities”, which is slightly higher than the 400 households we have typically served. In 2020, we are adding two new programs – the Workforce Affordable Homeownership Program and Manufactured Home Communities. (Figure 11 includes the single-family portion of the Economic Development and Housing/Challenge program, Housing Infrastructure Bond proceeds going to community land trusts, Single Family Interim Lending, Workforce Affordable Homeownership Program, and Manufactured Home Communities.)

HOME BUYER/OWNER EDUCATION, COUNSELING, AND COACHING

FIGURE 12: HOUSEHOLDS ASSISTED – HOME BUYER/OWNER EDUCATION AND COUNSELING

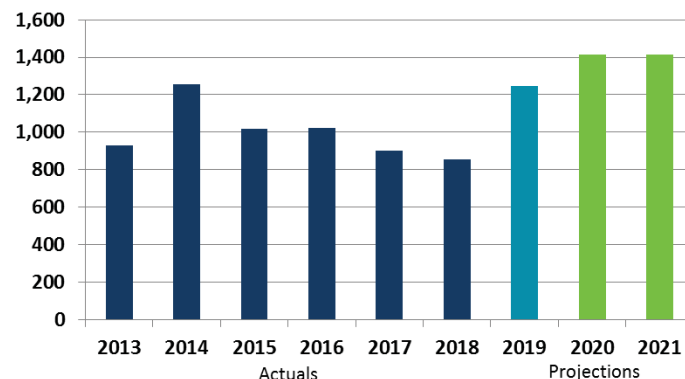


As shown in Figure 12, education and counseling declined in 2013 and 2014, reflecting less need for foreclosure prevention counseling. The need for homebuyer education continues and has increased since 2014. The addition of the Homeownership Center’s online course called Framework, which is an alternative to traditional classroom training, has supported the increase. (Figure 12 includes Homebuyer Education, Counseling & Training (HECAT) and the Enhanced Homeownership Capacity Initiative.)

HOME IMPROVEMENT LENDING

Home improvement production (Figure 13) has struggled in the recent past with the availability of home equity lines of credit and cash from mortgage refinancing limiting demand for our installment loans. With recent changes to the program that made it more desirable for borrowers and easier to administer, our lending volume has start to significantly increase. (Figure 14 includes both the Home Improvement Loan Program and the Rehabilitation Loan Program.)

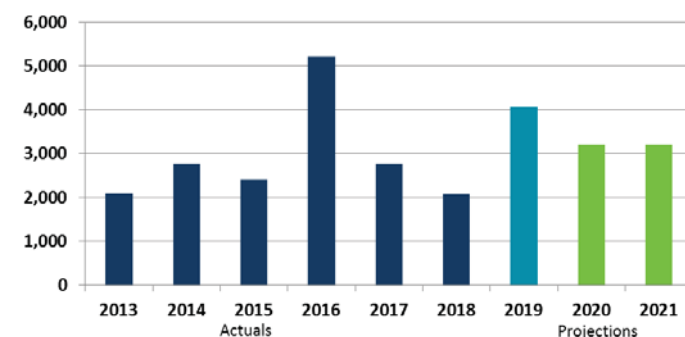
FIGURE 13: HOUSEHOLDS/HOMES ASSISTED – HOME IMPROVEMENT PROGRAMS



RENTAL PRODUCTION

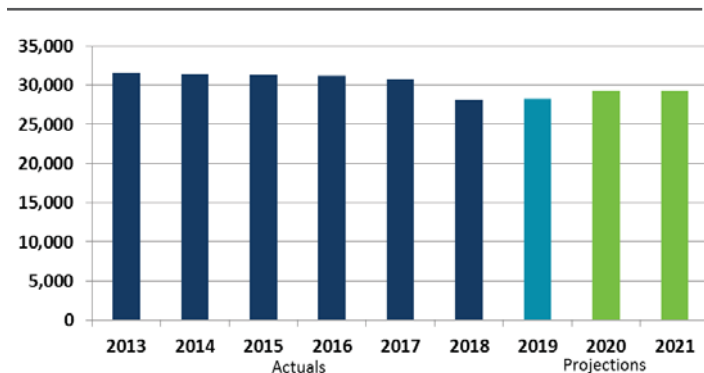
In a typical year, rental unit production (new constructions and rehabilitation) varies between 2,000 and 3,000 units; however, it jumped to 4,000 in 2019 with the availability of significant Housing Infrastructure Bond (HIB) and General Obligation (GO) bond resources. Based on current federal and state resources, we expect production to drop slightly to the 3,000 and 4,000 range in 2020 and 2021. In the 2019 legislative session, we received \$60 million in HIB resources, but no GO bond resources for public housing rehabilitation. Ten million dollars in GO bond resources would typically support the rehabilitation of roughly 1,000 units. Production in 2016 was particularly high with the completion of developments that received a large round of bond proceeds (\$100 million). (Figure 14 captures all the programs in the rental production area and the multifamily portion of the Economic Development and Housing/Challenge and Housing Infrastructure Bond programs.)

FIGURE 14: UNITS ASSISTED - RENTAL PRODUCTION



RENT ASSISTANCE CONTACT ADMINISTRATION

FIGURE 15: HOUSEHOLDS ASSISTED – RENTAL ASSISTANCE CONTRACT ADMINISTRATION



Activity in Section 8 contract administration has been very steady (Figure 15). These are ongoing contracts that we administer, and the number of households served does not vary significantly from year to year. The number dropped slightly in recent years and is now coming back up. Due to federal budget uncertainties, HUD decided to take over the administration of 24 Section 8 properties, but we have since regained the administration of those contracts. The households in these 24 properties continued to receive Section 8 assistance, but we did not administer it for a period. With the last Section 236 mortgages maturing in 2017, that program closed out. It became a small program in recent years as it wound down.

HOUSING STABILITY FOR POPULATIONS NEEDING EXTRA SUPPORTS

In 2016, the availability of state-funded rental assistance and operating subsidies increased (Figure 16). In the 2016-17 biennium, we have received an additional \$2.5 million for the Bridges program (rental assistance for people with very low incomes and a serious mental illness). We have also increased activity under Housing Trust Fund rental assistance, with most of the new activity focused on pilot programs that test new approaches. One of the pilots (Homework Starts with Home) just became an ongoing and standalone program. Finally, we have added the Section 811 program that serves people with disabilities. As shown in Figure 16, overall activity declined modestly in 2019 with the Minnesota Department of Human Services taking

over the administration of some operating subsidies in supportive housing developments that we had previously administered for them. (Figure 16 includes the four rental assistance programs and Housing Trust Fund operating subsidies.)

The number of households assisted by the Family Homeless Prevention and Assistance Program (FHPAP) and Housing Opportunities for Persons with AIDS (HOPWA) (Figure 17) has declined in recent years because FHPAP has targeted clients needing more support, which requires more funding per household.

FIGURE 16: HOUSEHOLDS/UNITS ASSISTED – AGENCY RENTAL AND OPERATING ASSISTANCE

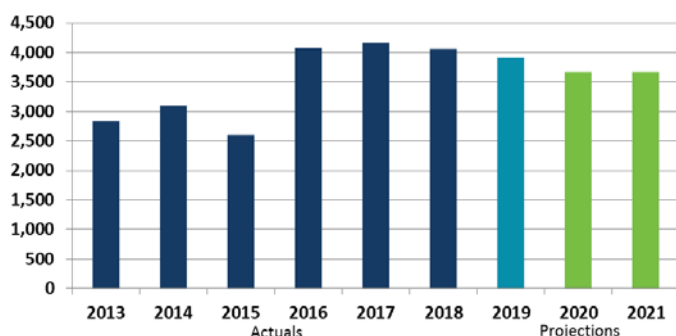
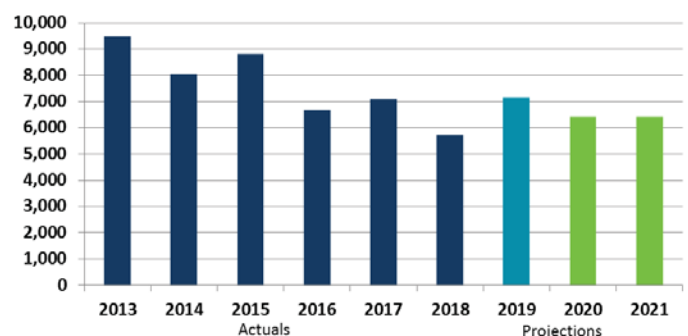


FIGURE 17: HOUSEHOLDS ASSISTED – TARGETED ASSISTANCE – FHPAP AND HOPWA



ENDNOTES

1 Minnesota Housing Analysis of data from the U.S. Census Bureau, American Community Survey (1-Year Sample, 2018). Lower-income is defined as less than \$50,000 of annual income.

2 Minnesota Housing Analysis of data from the U.S. Census Bureau, American Community Survey (1-Year Sample, 2018).

3 Minnesota Housing Analysis of data from the U.S. Census Bureau, American Community Survey (1-Year Sample, 2017), and HUD's 2018 Point-in-Time count of the homeless population.